

April 2020 | Update | Ken explains JobKeeper turnover and Covid opportunities

There are numerous GST issues that might benefit you or your clients during, and eventually coming out of, the Covid crisis. I recommend that you look at the past emails that I have sent to you on GST ideas, as they might now be worth considering again. If you can't find them, they are all in the News section of www.fehilyadvisory.com.au. Let me know if I can help you directly. Maybe discussing some of the ideas via Zoom will be enough to start.

JobKeeper entitlements

- I've had many enquiries regarding what is in and what is out. The 'turnover' that you show in your BAS is a good starting point, but is *not necessarily* the correct turnover to use for comparisons to determine JobKeeper entitlements. I'm also finding many instances where the amounts included in past BASs is not correct to start with. Refer to my email to you dated 8 April.

Cash flow and business activities generally

- If you account for GST on an accruals basis, and you've paid GST on supplies that have not been paid within 12 months, you can claim back the GST paid without having to write it off as a bad debt
- If you account for GST on an accruals basis, and you've had to negotiate write offs or reductions in previously invoiced amounts, you can claim back the reduction in the GST payable in the tax period in which you become aware of the adjustment (but you must hold an adjustment/credit note at the time of lodging your BAS)
- If you account for GST on an accruals basis, shifting your 'invoicing date' from just before to just after the month/quarter end could permanently delay your GST payable by a month/quarter
- If you account for GST on an accruals basis, there will be situations where you can claim GST input tax credits for invoices received after the end of the month/quarter, but before you lodge the BAS
- Now might be a good time to analyse whether you are better off accounting for GST on an accruals or cash basis
- If you're normally, or are now, entitled to GST refunds, consider changing from quarterly to monthly lodging
- If you import supplies and not don't currently have GST import deferral approval, now's a good time to apply (the ATO has announced a relaxation of the rules)
- Consider the GST impact of retrospective adjustments, cancelled sales, changed terms and conditions, changes to timing of payments and receipts, storage charges
- Consider giving 'gift vouchers' instead of discounts. That can delay the GST payable on the value of the voucher till they are redeemed, and the business cost of a voucher is less than a discount
- Giving 'bonus' GST free supplies instead of discounts could reduce the overall GST payable .

Are you in the Food industry

- The market is changing from making supplies of food or beverages to restaurants (B to B) to making supplies direct to consumers (B to C). Restaurants and cafes are changing from making supplies for consumption on their premises to consumption elsewhere. Some might end up being permanent changes, or you might end up wanting to change what part of the market you want to be in going forward, so consider the following.
- Some foods and beverages are GST free if sold to consumers for takeaway or at home, but are taxable if supplied for consumption on premises. Restaurants and cafes used to charging GST on everything might not have to do that if supplying for takeaway or delivery to home. (Maybe you never had to be charging GST on everything?)
- Some food and beverages are GST free, but separate transport/delivery charges will normally be subject to GST. There are ways to eliminate that GST on delivery charges depending on your terms and conditions
- Some basic food ingredients are GST free. Fully prepared foods are taxable. When supplying food direct to consumers, consider whether it worth trying to maintain GST free status by making supplies of 'nearly fully prepared' meals, where the consumer has to add another ingredient.
- If you're supplying multiple goods (eg hampers or packs) focus should be made on the overall 'effective' GST rate based on supplying GST free and taxable food and beverages, as well as packaging, accessories, delivery etc

Health Related Supplies

- Medical aid and appliances (ie other than services by medical practitioners, drugs and medicines) can be GST free if designed for use by, and used mostly by, people suffering from an illness or disability. It is good that these items do not have to actually treat or relieve the illness or disability (eg motor vehicle modifications, large keyboards for the sight impaired, arms for the hearing impaired, adjustable beds, therapeutic pillows). However, it is not good that it only relates to people already suffering from an illness or disability, and does not cover many preventative supplies (eg many face masks, sanitisers, etc). You may already be making supplies that are GST free but charging GST, or could be heading into a new market without yet considering the GST status

Property

- Make your incentives for sales of new residential premises 'GST effective' (ie so it reduces the GST payable on the full price)
- Adjustments for changed 'use' of new residential premises are to be declared in BASs ending 30 June. Consider whether a change you are making (eg from selling to renting, from renting to selling, or into or out of dual use) should be decided and acted on before or after 30 June
- The GST consequences of 'rental guarantees' are often forgotten (or never realised). Consider when to pay them, recognise them, or document them for GST purposes
- Forfeited deposits, entering into or forgoing calls or options, all have GST consequences for both parties to the deal. The impact is often the opposite for each. Ensure you don't miss out or get caught out.
- Landlords and tenants, including commercial properties, should ensure they are aware of the GST consequences of the deals they are coming to with

tenants. They often include 'non monetary' or 'barter' and generally result in GST payable, GST input tax credits, and correct issuing of tax invoices.

Working from homes

- If you carry on an enterprise, or work for a business from home, some costs might lead to GST input tax credits entitlements

The above are only a few ideas that might apply or be worth considering. While meetings are challenging, please don't hesitate to phone, FaceTime or Zoom me if you wish to clarify or implement any of the above, and I am certain that many of you have come up with your own ideas and want to ensure the GST treatment is optimal.